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Trends in extrabudgetary resources at the Economic Commission for Latin America and the Caribbean and the impact on its capacity to carry out the programme of work

Report of the Secretary-General**

Summary

The General Assembly in its resolution 56/253 of 24 December 2001, requested the Secretary-General to submit to the Assembly at its fifty-seventh session concrete proposals to address the impact of declining extrabudgetary resources for the Economic Commission for Latin America and the Caribbean. The present report is submitted in response to that request.

* A/57/150.

** The delayed submission is attributable to the extensive consultations required to finalize the report.

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I. Introduction

1. The General Assembly, in its resolution 56/253 of 24 December 2001, part V, section 19, paragraph 121, requested the Secretary-General to submit to the Assembly at its fifty-seventh session concrete proposals to address the impact of declining extrabudgetary resources for the Economic Commission for Latin America and the Caribbean (ECLAC). The present report is submitted in response to that request. Section II contains a review of the evolution of extrabudgetary resources at ECLAC while reflecting on experience during the three preceding biennia; section III provides information on the main sources of ECLAC extrabudgetary resources in the biennium 2000-2001; section IV discusses various factors that restrict the possibilities for expanding and diversifying ECLAC extrabudgetary resources; and section V draws conclusions for action by the General Assembly.

II. Evolution of biennial extrabudgetary resources of the Commission

2. The overall orientation of extrabudgetary resource mobilization at ECLAC is determined by and is intended to complement the United Nations regular budget resources provided ECLAC to meet the demands stemming from its work programme commitments as defined by member Governments at the time of adoption of the programme of work during the biennial sessions of the Commission. Moreover, a priority-setting exercise of ECLAC's work programme at the output level is conducted regularly by an open-ended ad hoc working group established pursuant to ECLAC resolution 553 (XXVI). This group has been empowered to define priorities for the work programme and recommend to the Commission strategic directions for its future activities, taking into account the development priorities of Latin America and the Caribbean, as well as budgetary considerations. In turn, the United Nations medium-term plan for any given period provides the legal framework which determines the overall thrust and strategic orientation for all substantive undertakings of the Commission.

3. Against that backdrop, and inspired by the objective of achieving the most value in terms of relevant outputs from the level of resource provided, the data in table 1 indicate that ECLAC has been able to increase extrabudgetary resource execution during the past three biennia.

Table 1
Evolution of ECLAC extrabudgetary actual expenditure during the past three biennia

(United States dollars)

Source of extrabudgetary funds	*1996-1997 actual expenditures*	*1998-1999 actual expenditures*	*2000-2001 actual expenditures*
Bilateral sources	11 019 421	13 336 994	15 594 618
United Nations system	2 973 821	2 734 636	2 703 107
Multilateral sources	2 504 758	1 474 870	1 760 547
Total	**16 498 000**	**17 546 500**	**20 058 272**

4. An initial perusal of the data provided in table 1 would lead one to question the request of the General Assembly, in its resolution 56/253, for concrete proposals to address the impact of declining extrabudgetary resources for ECLAC, since the data show that there has been a steady increase in ECLAC extrabudgetary expenditure from the biennium 1996-1997 through 2000-2001. Table 2 below is therefore provided to provide further details on the trends in ECLAC extrabudgetary resources, by making comparisons between the initial estimates and the actual expenditures from the biennium 1996-1997 through 2000-2001. The estimate for the biennium 2002-2003 is included to substantiate the conservative approach utilized when drawing up the biennial proposed programme budget estimates.

5. A comparison of the expenditure for the 1998-1999 biennium with the initial estimate for the 2002-2003 biennium reveals a projected reduction of 3.7 per cent. The variation can be explained by the inherent uncertainty involved in making projections based on pledges two years in advance of actual execution of the programme of work. In addition, other factors, such as the relatively strong exchange rates of other currencies vis-à-vis the United States dollar at the time of formulation of the proposed programme budget, invalidate a simple extrapolation of a one-time estimation to shape a trend into the future.

Table 2
Comparison of the proposed programme budget estimates with actual expenditures
(United States dollars)

Component	*1996-1997*	*1998-1999*	*2000-2001*	*2002-2003*
Proposed programme budget estimates	17 650 500	15 920 100	16 150 600	16 896 500
Actual expenditures	16 498 000	17 546 500	20 058 272	
Difference between proposed programme budget and actual expenditure	(1 152 500)	1 626 400	3 907 672	
Percentage difference between proposed programme budget and actual expenditure	(6.5)%	10.2%	24.2%	

A. Overall context of extrabudgetary resource trend in the Commission

6. The principal features of ECLAC extrabudgetary contributions may be outlined as follows:

(a) An increasingly important role is being played by joint funding arrangements with donor countries of the region, whereby the country contributes, together with external donors, to the establishment of technical cooperation funds.

(b) International donors (national Governments as well as multilateral agencies) tend to favour, more than in the past, programmes that are broad in scope and involve relatively large volumes of funds, or projects that have several phases of implementation. These trends have an effect on project design and operations, as donors avoid funding isolated initiatives, however important they may be.

(c) There is a tendency to prefer projects that are executed at the country level. This preference does not necessarily mean that international executing agencies are displaced or excluded; rather, the technical capacities of local, national and regional executing agencies often complement each other. In this instance, ECLAC has been able to make valuable substantive contributions drawing from its comparative advantages in terms of its regional approach to development strategies and issues and the experience accumulated on best practices covering various fields of specialization.

(d) Nowadays, more so than before, donors tend to view their cooperation projects and programmes as joint undertakings, (or partnerships), with the agencies receiving technical cooperation funds. In the continuous dialogue between ECLAC and its main contributors, the donors' technical teams have become increasingly involved in the planning, follow-up and evaluation phases of cooperation projects and programmes.

(e) A gradual change has also come about with regard to issues intended to be addressed by the donor community's technical cooperation machineries. Donors' political priorities have always had a bearing on their cooperation activities and on the way they channel the corresponding funds. Nowadays, however, they increasingly tend to focus on two cross-cutting dimensions. The first of these is poverty eradication. This has become a core issue within an integrated framework of social policies, which increasingly pinpoint different types of discrimination as causes of poverty. The second dimension emerging as a priority on donors' agendas is the set of issues concerning consolidation of democracy and modernization of the State. Both dimensions have contributed to substantively improve the orientation of international cooperation programmes and have increasingly brought them into alignment with the needs and concerns of recipient countries. As a result, technical cooperation is currently more closely related to core issues within civil society at the national and regional levels. The fact that donors themselves are working more closely with their own non-governmental organizations builds on this trend and adds a new degree of proactivity, which improves the relevance of projects and programmes.

B. Experience in extrabudgetary resources: mobilization of ECLAC in the 2000-2001 biennium

7. In the biennium 2000-2001, the total amount of actual extrabudgetary expenditure by ECLAC for projects executed under technical cooperation trust fund arrangements reached $20,058,272. The major categories or sources were: (a) Latin American and Caribbean countries, $8,174,556; (b) developed donor countries, $4,696,166; (c) United Nations Development Programme (UNDP)/United Nations Population Fund (UNFPA), $2,703,107; (d) members of the Latin American and the Caribbean Institute for Economic and Social Planning (ILPES), $2,090,659; (e) Inter-American Development Bank (IDB) and other multilateral donors, $1,760,547; and (f) other sources, $633,237. The total amount is significantly higher than the average biennial expenditure in the previous two biennia, of the order of $17,022,250 (see annex).

8. This substantial increase was made possible by the continuous efforts of ECLAC to mobilize extrabudgetary resources by strengthening existing cooperation links with traditional development cooperation partners and at the same time broadening the range of donor sources to include non-traditional contributors, such as some national Governments, local governments, NGOs, research institutes, universities, foundations and other development cooperation institutions. In particular, ECLAC compensated for the adverse medium-term trend of UNDP/UNFPA funding for regional programmes with increased execution of technical cooperation at the country level, tapping the UNDP/UNFPA resources for country programmes.

9. It is important to note, however, that a considerable part of the increase recorded for the 2000-2001 biennium was attributable to the extraordinary injection of funds from multi-year and large-scale projects, such as those on Urban Management, Growth and Equity, Bi-alphabetization and Enterprise Development, among others. This fact, in addition to recent macroeconomic restrictions and exchange rate devaluations in many of the Latin American and Caribbean donor countries, invalidates any simple extrapolation into the future.

10. The Commission's extrabudgetary resource base has traditionally depended on a few major donors, which makes it vulnerable to changes in funding policies or the performance of national economies, as in the case of contributions from countries. Some illustrative figures in this regard are those of the contributions of UNDP and UNFPA, which jointly accounted for almost 30 per cent of the total extrabudgetary expenditure of ECLAC in the 1992-1993 biennium. This participation decreased to only 13.4 per cent in the biennium 2000-2001.

III. Main sources of the extrabudgetary resources of the Commission in the biennium 2000-2001

11. The extrabudgetary resources of ECLAC are mainly of bilateral origin. For the 2000-2001 biennium, they amounted to about $15,594,618 and represented about three fourths of the total expenditures. This group of donors include developed country Governments, which contributed about $4.7 million. Latin American and Caribbean countries also contributed substantially to technical cooperation projects, to the operating budget of ILPES and towards the cost of ECLAC national offices, with a total amount of $10.3 million. Other bilateral sources accounted for $0.6 million (see annex).

12. The multilateral sources (about $4.5 million in 2000-2001) made up the remaining one fourth of the total, the largest share of which came from the agencies and organizations of the United Nations system specifically UNDP/UNFPA — about $2.7 million. Other multilateral sources accounted for about $1.8 million, including the contributions from IDB, the European Union and others (see annex).

IV. Restrictions to expansion and diversification of extrabudgetary resources of the Commission

13. As mentioned above, ECLAC receives extrabudgetary contributions from various partners and donors, and can form associations with different kinds of institutions in projects of common interest falling within the priorities of its work programme. Such institutions may include governmental and non-governmental organizations, multilateral agencies and private foundations. Nonetheless, several factors restrict the possibility of further expanding and

diversifying ECLAC extrabudgetary funding, among them:

- Little flexibility as regards the required timing for receipt of contributions established in the United Nations financial rules and regulations, which is difficult to harmonize with the provisions of the disbursement regulations of many potential donors;

- High vulnerability of contributions originating in Latin American and Caribbean countries to macroeconomic performance and exchange rate variations. Since these contributions accounted for about one half of total extrabudgetary expenditure in 2000-2001, it is expected that currency devaluations would most likely have a significant impact on them during the 2002-2003 biennium.

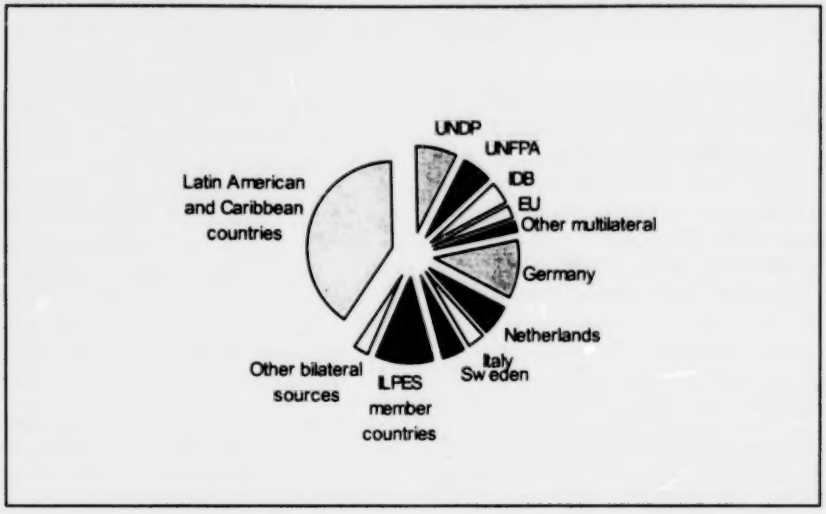
V. Conclusion

14. **The need for an increase in extrabudgetary resources for technical cooperation activities, commensurate with the needs of the developing countries in Latin America and the Caribbean, implies that extrabudgetary contributions from Governments, United Nations programmes and funds, multilateral financial institutions and other intergovernmental organizations should be further encouraged to ensure that funding arrangements are reinforced and made more stable over time. As can be noted from paragraph 13 above, certain factors impact the level of extrabudgetary resources available to implement technical cooperation activities. It is therefore proposed that ECLAC continue to keep under review the level of extrabudgetary resources available.**

15. **The General Assembly may wish to take note of the present report.**

Annex

Extrabudgetary expenditure by the Economic Commission for Latin America and the Caribbean in the 2000-2001 biennium by source of funding



Donor	*Extrabudgetary expenditure (in United States dollars)*
UNDP	1 621 184
UNFPA	1 081 923
IDB	861 146
EU	427 714
Other multilateral	471 687
Germany	2 092 212
Netherlands	1 080 327
Italy	642 969
Sweden	880 658
ILPES member countries	2 090 659
Other bilateral sources	633 237
Latin American and Caribbean countries	8 174 556
Total	**20 058 272**